

America and Europe: A Partnership for a New Century

**Ambassador Charlene Barshefsky
United States Trade Representative**

**Confindustria
Rome, Italy**

February 3, 1999

Good afternoon. Let me express my thanks to the Confindustria and President Giorgio Fossa for hosting this event, and to Ambassador Foglietta and his staff for their invaluable assistance. And I thank you all for coming today.

THE NEW CENTURY

Here in the Eternal City, we might reflect that the opening of the third millenium bears interesting resemblances to the opening of the first. At that time, the Roman world had closed an eighty-year chapter of division and conflict; and the work of Augustus, Maecenas and Agrippa opened an era of cultural progress, economic integration and peace.

That is what we find today. The western world is at peace. Democratic values are ascendant in our nations and around the world. Science, technology and medicine are surging ahead. And prosperity has grown with the integration of Europe -- capped most recently by the introduction of the first common European currency since that of the Caesars -- and the newly emergent world economy.

These blessings are not accidents. They are inherent in the vision of the postwar leaders -- Truman, Acheson and Marshall; de Gasperi, Adenauer and Monnet; Churchill, Attlee and Keynes -- who created the institutions of the modern Atlantic world: NATO, the European Union, the World Bank and the International Monetary Fund; the rules based trading system of the GATT. And they reflect the patient work of Americans and Europeans ever since who have understood the importance of our alliance and our partnership.

Today we may face a new set of challenges: keeping the peace in a fundamentally changed political world; emerging threats to health and to the global environment; the advance of human rights; the rapidly changing world of trade and finance. But I am certain of one thing. We will face them more successfully if the partnership we created fifty years ago remains strong.

THE TRADE POLICY RECORD

The trade issues we have considered over the past fifty years are a case in point. Through the rules-based system that is above all a creation of Europe and the United States, and through our own bilateral relationship, we have reduced tariffs by 90%. We have created rules for trade in

goods, services and agriculture. We set standards for protection of intellectual property rights; created a mechanism for the resolution of disputes; and helped add 110 economies to the first 23 GATT contracting parties.

As a result, trade has grown 15-fold since 1960. World production has quadrupled and per capita income more than doubled. New medicines and hospital equipment have traveled around the world, helping raise world life expectancy at birth from 48 years to 65 years in a single generation and reduce infant mortality from 148 to 59 per thousand. Growing agricultural trade has improved nutrition and eliminated famine from all but the most remote or misgoverned corners of the earth. And trade in information technologies -- satellites, e-mail and the Internet -- has given humanity new worlds of artistic expression, scientific inquiry and political debate.

Without our partnership, the fragmented, impoverished world of 1948 would not have become today's more integrated, progressive world economy. And our generation must renew that partnership for the 21st century -- as Dante wrote in the De Monarchia, all of us who benefit from the common heritage must in our turn contribute to the common good.

THE TRANSATLANTIC RELATIONSHIP OF TOMORROW

This principle extends to all facets of our ties: diplomacy, security, education, science, finance. And it includes a deeper, stronger, bilateral relationship trade and investment relationship in the next century.

1. Transatlantic Trade and Investment Today

We begin with a very strong foundation. Trade between America and the EU in goods and services reached about \$450 billion last year. It is the largest bilateral trade relationship in the world and among the fastest-growing: in 1997 our \$13 billion growth in exports to the EU exceeded the total of our exports to China; last year, EU exports to the U.S. grew by a full \$20 billion.

Bilateral investment flows are vast. The American semiconductor fabs in Ireland, and European auto plants in South Carolina, are just parts of a direct investment relationship now worth close to \$1 trillion. One in every twelve U.S. factory workers now works for a European firm, and three million U.S. jobs depend on European investment in America. And the \$369 billion we have invested in Europe is nearly half our total investment beyond our borders.

And with a strong American economy, and the European Union broadening through expansion and deepening through the adoption of the common currency, if we are foresighted and wise our relationship can continue to grow.

3. The Transatlantic Economic Partnership

This fact was the genesis of the New Transatlantic Agenda of 1995, which helped us conclude a Mutual Recognition Agreement (MRA) in sectors, such as medical devices, pharmaceuticals and telecommunications, worth \$60 billion in trade.

And it is the basis of our next step: the Transatlantic Economic Partnership agreed upon in 1998, which Italy helped bring to fruition, and which in the next two years will address seven broad areas.

We will review technical standards to remove barriers and avoid conflicts while protecting health and safety.

We will work to guarantee that regulatory processes in agriculture like biotechnology are transparent, predictable and scientific; and improve cooperation on concerns like food safety.

We will cooperate to ensure full implementation of the WTO agreement on intellectual property and address pirate production at home and in third countries. We also hope Italy will soon pass the anti-piracy bill now in Parliament. Italy, as a center for cinema, fashion and information technology, will gain more from it than any other nation. We are grateful that your Prime Minister is supportive of these efforts.

We will find ways to improve access for small and medium-sized firms to government procurement.

We will strengthen our ties in services, perhaps through Mutual Recognition Agreements and regulatory cooperation, and find common interests at the WTO.

We will work together on electronic commerce, to ensure that the new world of computers, telecommunications and the Internet reaches its full potential.

And we will promote the values we share, by more fully involving our citizens and civil society in trade policy.

The Transatlantic Economic Partnership is thus an ambitious effort, with multilateral implications beyond the seven individual sectors we address. It can help us promote transparency in the WTO, to strengthen its base of public awareness and support. We must cooperate to reform its Dispute Settlement system, which risks losing credibility if countries do not live by its rulings. The recent cases on bananas and beef make this very clear. And we hope to work with Europe to better coordinate our position in the WTO, and the new Round wherever possible.

THE NEIGHBORING REGIONS

With the foundation of a strong bilateral relationship, we must meet another responsibility: to cooperate in the progressive integration of the regions bordering upon the European Union, whose separation from Europe has been the source of immense conflict, poverty and human suffering. Trade policy must join with diplomacy, security, and other policy areas to heal it over time.

1. Central and Eastern Europe

This begins with Central Europe, where democracy and markets are consolidated and the EU has taken the historic step of inviting Poland, the Czech Republic, Hungary, Slovenia and Estonia, along with Cyprus, to join.

We welcome this decision. Europe's integration, through NATO and the EU, has created a community of democracy, security, markets and the rule of law. That is good for us all. Thus we have endorsed each step -- from the European Coal and Steel Agreement, to the most recent accessions of Sweden, Austria and Finland.

We see in the success of economic reform and democratization in Central Europe an historic chance to go further. We therefore were proud to lead in expanding NATO, and warmly support the membership of these nations in the European Union. But we will be vigilant about the details.

EU expansion will benefit Europe and the U.S. if it is done on a basis of openness to the world. But if it raises barriers, it will damage American interests and foster new disputes. We are therefore going to watch this process closely and be in continuous contact with the European Union as it moves ahead. We have also engaged Central European governments in separate consultations, and asked our International Trade Commission to study the impacts of EU enlargement. This process of EU expansion and integration can and should serve the interests of the entire Atlantic community.

2. Russia and the Newly Independent States

The progress of Central Europe also offers us lessons further east, in Russia, Ukraine and the other newly independent states, where the success of economic reform and democratization are a vital interest for both of us.

Thus we have offered technical assistance in political and economic reform, and supported IMF recovery packages for some among them when appropriate. In trade policy, we are encouraging WTO membership and promoting bilateral trade. This has intrinsic economic benefits; but in a deeper sense the principles of the WTO and of our bilateral agreements -- transparency, open markets, the rule of law -- will contribute to domestic reform, long-term growth potential and integration into the world economy for Russia and other newly independent

states. We are cooperating closely with the EU, and are encouraged by the first successes reached last year in Latvia and Kyrgyzstan with respect to WTO accession.

3. The Middle East and North Africa

And we apply the same principles to the Middle East.

Here the task is still more complex. We face a tragic modern history which fragments the region into a group of island economies with little stake in one another's stability and prosperity; and a far more ancient division of the Mediterranean. But we do not assume that these divisions are either natural or inevitable; and economic integration can play its part in easing them.

The foundation of our Middle East economic policy is our Free Trade Agreement with Israel. With this as a base, we are encouraging regional integration through an innovative program that began with my designation last March of the first Israeli-Jordanian "Qualifying Industrial Zone" in Irbid, whose products are eligible for duty-free treatment in the United States. I hope to be able to designate more of these zones -- with Israel, Egypt, Jordan and the Palestinian Authority -- in months to come.

At the same time, we are negotiating Trade and Investment Framework Agreements (TIFAs) with Egypt, Jordan, and Tunisia, which will serve as a framework for our bilateral discussions and a means of increasing intra-regional trade. And we are working toward WTO accession negotiations for Oman, Jordan and Saudi Arabia on commercially meaningful terms, which as elsewhere will support economic reform and strengthen their economies.

AND THE WORLD

And this brings me now to our final responsibility: cooperation in the creation of a more open, prosperous world economy bound by the rule of law.

1. Financial Crisis

This must begin with the financial crisis that now afflicts so many of our neighbors and trade partners: Southeast Asia, Korea, Russia, Brazil and more. As President Clinton has said, it is the most serious such crisis in fifty years.

We have made a good beginning with the IMF recovery packages in Asia. We must, however, remain vigilant and make sure the IMF has the resources and support to act in any fresh emergencies. We must work together to make sure Japan accepts its responsibilities to use fiscal stimulus to restore demand-led growth, reform its banking system, and open and deregulate its economy. And in trade we must remain true to our principles and the pledges made at the Asia-Europe Meeting and the G-8 summit last year, by preserving our open markets and sharing the burden in sectors most deeply affected by the crisis, especially steel.

2. Completing the Trading System

And we must move ahead with multilateral liberalization, to prevent a slide backward in this crisis, and to create a more open world economy, raise living standards, and ensure that the trading system fully reflects the values we share.

This should begin with the very basic task of completing the multilateral trading system. Few of the nations in transition from communist planning systems -- China, Russia, Vietnam, Ukraine and other former Soviet republics -- are members of the WTO, and membership for them on the right terms is essential. It will support domestic economic reform and long-term growth. And it will integrate them more fully in the world economy, and thus strengthen peace by giving them a greater stake in prosperity and stability beyond their immediate borders. It is a complex task of immense importance -- the contemporary equivalent, I believe, of the reintegration into the global economic community of Japan and Germany after World War II.

3. Challenges to the Multilateral System

At the same time, the growth of trade and finance; the revolution in science and technology; and the development of civil society around the world all reveal areas in which the WTO ought to be improved. And we are all aware of challenges it must face and solve.

Some are related to traditional questions of protection and resolution of disputes. The financial crisis creates pressures in many countries to protect domestic economies or delay liberalization. Many countries -- sometimes the same countries -- are likewise frustrated by trade barriers which persist in their partners' economies.

Other challenges arise from growing disparities in wealth. Some developing economies feel they do not benefit as much as they should from trade liberalization. Many in the developed world are concerned that policies to open trade and promote growth are advancing more rapidly than policies to address sustainable development and working conditions, and ensure that international institutions are open, accessible and responsive to the people they are meant to serve.

And some are simply areas where we need to do better -- I would cite in particular the reluctance of nations to accept and talk about the importance of imports to economic efficiency and high living standards.

4. The Next Round

These concerns are the basis of President Clinton's call for a new Round of global trade negotiations. I hope to save some time today for discussion with you, so I will simply note that we believe a new Round must be embodied by three different dimensions, all proceeding simultaneously:

One would call for accelerated market access negotiations on a range of sectors and issues. It would address agricultural subsidies and barriers to ensure fair rewards for farmers and ranchers, reduce hunger and offer consumers reasonable prices. It would more fully open trade in services -- telecommunications, distribution, finance, the professions and more -- which make economies efficient, stable and productive. It would advance openness and fairness in government procurement; protect intellectual property rights; create a more open market for industrial goods through tariff cuts and removal of non-tariff measures; and establish a forward work-program that allows full exploration of newer issues, including such questions as competition, investment, bribery and corruption.

The second dimension of a new Round, on-going results, would use the stronger institutional structure of the WTO to help us keep pace with the information revolution, the development of electronic commerce and other rapidly changing fields. Here we would hope to begin with a consensus in the months leading up to the WTO Ministerial Conference in Seattle on an "Information Technology Agreement II" to improve access to the most modern technology; extension of our work on electronic commerce; guarantees of transparency in government procurement which reduce opportunities for bribery and corruption; and the APEC sectoral liberalization initiative from which Europe has so much to gain.

The final dimension of a new Round, institutional reform of the WTO, would address less tangible but equally important questions, to ensure that the trading system continues to receive the support of our publics. Here we would hope to take up trade facilitation, perhaps beginning with customs reform. Capacity-building to ensure that the WTO's less developed members can implement their commitments and have access to markets. Ensuring that as trade promotes growth, we are mindful of sustainable development, and strengthen the guarantees for the safety and dignity of working people, including through broader cooperation with the ILO. Strengthening the WTO's coordination with international financial institutions like the IMF and World Bank, in a world where the separation of trade flows from financial policy has become entirely artificial. And making the WTO itself open, transparent and responsive to citizens -- because the WTO, like our own domestic institutions, must be transparent and inclusive to have public support and retain credibility.

CONCLUSION

Let me close by saying that the work before us is complex and profound. Strengthening the partnership between the United States and Europe. Integrating, over time, the regions on the rim of the Atlantic community. Creating a world economy more open and fair, and more consonant with the principles of democracy and the rule of law.

These are tasks that will demand skill and vision. But Europe and America should take them up with pride.

And when we reflect on the extraordinary developments of the past decades -- from the advance of science to the living standards of families to the strengthening of peace -- we should have every confidence of success.

Thank you very much.